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Federal Managers

Association

Testimony

Before the Committee on Government Reform
United States House of Representatives

For Release on Delivery
Expected at
10:00 A.M. EST
Thursday
July 24, 2003

Oversight Hearing of the Thrift Savings Plan (TSP) –

Difficulties with the New Online System

**Statement of
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Chairman Davis, Ranking Member Waxman, and Members of the Committee:

My name is Michelle Corridon. On behalf of the 200,000 executives, managers, and supervisors in the Federal government whose interests are represented by the Federal Managers Association (FMA), I would like to thank you for inviting us to present our views before the House Government Reform Committee regarding the Thrift Savings Plan's (TSP) new online record-keeping system and the problems that have occurred since its launch on June 16, 2003.

I currently serve as co-chair of the FMA-USDA Conference and have been an employee with Rural Development at USDA for 15 years, where I am a Single Family Housing Specialist. My statements, however, are my own in my capacity as a member of FMA and do not represent the official views of the Department of Agriculture.

Established in 1913, FMA is the largest and oldest Association of managers and supervisors in the Federal government. Our Association has representation in more than 25 Federal departments and agencies. We are a non-profit advocacy organization dedicated to promoting excellence in public service through effective management.

As those who are responsible for the daily management and supervision of government programs and personnel, our members possess a wide breadth of experience and expertise that we hope will be helpful as we collectively seek to address the current problems TSP participants have experienced with the new online record-keeping system.

THE LAUNCH OF A NEW SYSTEM

On June 16, 2003, the TSP launched its long-awaited online record-keeping system. TSP participants, numbering approximately three million, saw this as the end of a journey that began in May 1997 with the award of the system contract to American Management Systems (AMS). Since May 1997, Plan participants have experienced a change in contractor, the filing of a





lawsuit on behalf of Plan participants against AMS, a countersuit from AMS, and since October 2000, no fewer than five delays of implementation.

The launch of the new system was to provide TSP participants with many of the benefits and flexibilities available to private-sector 401(k) plan participants. Included in these changes, as published by the TSP in “How the TSP is Changing” (June 2003), were:

- The TSP switching from a monthly valued plan to a daily valued plan which would allow participants to make account changes on a daily basis;
- Participants being able to access daily account balances via the Internet as opposed to seeing changes every month, as transactions would now be processed each business day instead of monthly;
- Participants being able to view their account balances and transactions not only in dollar amounts, but also shares and share prices;
- Account statements being revised quarterly as opposed to twice per year;
- Participants having the ability to begin – and, in some cases, complete – a loan or withdrawal request and reamortize a loan online; and,
- Loan or withdrawal payments being deposited electronically into participants’ checking or savings accounts.

ONLINE SYSTEM PROBLEMS

Unfortunately, what was supposed to be hailed as a success has been far from that. From the time the new online system was launched on June 16th, there have been more instances of





problems than achievements. When FMA sent out a request to its membership for input on the new system, we received an avalanche of comments – some positive, most very negative. The majority of complaints about the new online system involved participants' inability to simply access the new system. Our members reported slow login times, complete inability to access the system, and instances of being “kicked off” the system in the middle of attempting to process a request.

Many members complained about the lack of updated information provided on the TSP's main Web site, www.tsp.gov. While there were messages alerting participants of difficulties, there was no information given on the status of resolving the problems – in fact, the same “pop-up” message about the status of the system was posted for weeks.

In addition to problems accessing the system, more serious problems have occurred for participants who wanted to take advantage of the new system's loan-filing feature, which is supposed to allow participants to begin the loan application process online. Many members have tried to use the online system, to no avail, and then attempted to fill out paper copies of the necessary forms – only to discover weeks later that there is still no record of their requests or even confirmed receipt of their applications. Because of the difficulties in completing the loan application and approval process, many participants have been unable to secure lower interest rates and have suffered financial losses. Others have been unable to pay contractors completing renovation work on homes, while some have not been able to complete the purchase of homes.

CONTACTING TSP THROUGH ALTERNATIVE METHODS

While complaints of the TSP initially involved the new online record-keeping system, the frustration felt by Plan participants does not stop there. In the absence of being able to access the online system, many participants have tried to use the TSP Helpline – Thriftline – or reach the TSP via fax or mail only to find that there has been a glut of problems through those alternate routes as well. Thriftline, which is not a toll-free call but a long-distance phone charge for most





Plan participants, has been overwhelmed with recent activity. Our members have reported waiting over 20 minutes to be connected to a live person, only to then be cut-off by the system. That fate has occurred only when participants have been able to avoid a busy signal.

Members have tried calling at various times to avoid high-traffic calling hours, but even that has not been successful for some. For those participants who have been able to connect to a TSP representative, many have been told that their transactions have not been processed or they should re-file an application or transaction and send it via fax. This has resulted in a further backlog of data-entry work for TSP employees. Because participants have sent numerous requests for the same transactions, there are likely to be duplicative actions taken, which only lead to greater lag time, more work for TSP representatives, and ultimately more problems for participants.

We are aware that the FRTIB has taken steps to try and resolve these issues, for example by adding additional phone lines to Thriftline and by hiring more employees to complete the data-entry work that has been backlogged. We have confidence that these problems will be addressed and the backlogs will diminish with time. FMA members understand that new systems such as this often encounter some initial minor technical problems, but in this case, it has been a lot to swallow when the system has taken years to get on-line and, more gravely, involves participants' savings.

HOW TO AVOID THIS IN THE FUTURE

Mr. Chairman, you also asked our members to offer ideas on how a similar situation could have been avoided or should be avoided in the future. We received a number of suggestions including:

- Conduct wider testing before launching the system to three million participants;





- Grandfather the loan application system – e.g., for loan applications submitted prior to June 16th, do NOT return the application to the participants, but complete the process under the old format;
- When a change in the system is approaching, advertise “how the changes may affect you” prior to the official launch of the system;
- Provide more detailed contact information for troubleshooting – names, titles, phone numbers, fax numbers, email addresses, mailing addresses;
- Allow the old and new systems to run parallel until all of the “kinks” with the new system are resolved;
- Provide adequate customer service staffing to handle inquiries;
- Provide customer support through email; and,
- Keep participants informed every step of the way and as early as possible.

FURTHER TSP CONCERNS

On June 20, 2003, merely four days after the TSP launched its new online record-keeping system, the Federal Retirement Thrift Investment Board (FRTIB), which oversees the TSP, announced that a settlement had been reached between the Board and AMS, the original system contractor. The Board had originally fired AMS on July 21, 2001 after a series of delays and performance failures. In July 2001, MATCOM International Corporation was hired to complete the development and implementation of the new system.





The TSP board subsequently filed a \$350 million lawsuit against the contractor for the cost and schedule overruns, to which AMS countersued in Federal Claims Court seeking \$41 million in expenses for work it performed while under contract. The lawsuits were recently dismissed under a settlement agreement in which AMS will pay the FRTIB \$15 million and the Board will pay AMS \$10 million. TSP participants will be assessed the remaining \$36 million in expenses from the failed contract which will appear on their next quarterly statement as an administrative expense. According to a memorandum sent from the Board to members of the Employee Thrift Advisory Council (ETAC) on July 9, 2003, “the charge allocated to each participant was approximately 3 basis points, which means that earnings were reduced approximately 30 cents for every \$1,000 of account balance.”

Many of the comments that FMA received in response to our request for input focused on this settlement and its impact on Plan participants. As you’d might expect, Mr. Chairman, this assessment was not received warmly by our members and most – if not all – Plan participants. First, the system that they had waited six years to be completed was encountering significant technical problems. Now, they are going to be responsible to cover the costs of a contract that was never completed as scheduled and from which participants have seen no tangible benefit as yet. For our members, it is more a matter of *principle* than *principal*.

There was little information provided to participants about the lawsuit, and even less information about the settlement prior to the announcement of the settlement itself. While the Board issued a press release announcing the settlement, it did not publish details regarding the actual breakdown of the assessment being passed on to participants. In annual financial statements available to participants via the TSP Web site at www.tsp.gov, information is provided to participants about the failed AMS contract and the subsequent charge to TSP participants: “If the Board determines that there will be no recovery from AMS, it will amortize the \$41 million to participants’ accounts” (December 31, 2002).” Thus, because the Board netted \$5 million from the AMS settlement, participants will be charged the remaining \$36 million.





Naturally, there have been questions regarding accountability and who should be responsible for the AMS contract:

- Where was the Department of Labor in this process, as it is charged with overseeing the Federal Retirement Thrift Investment Board?
- What criteria and measures were used in determining that AMS was best suited to be awarded the original contract in 1997?
- If the Board and its Executive Director are to be the fiduciaries to the Plan participants, what attempt was made to obtain input from Plan participants on the settlement of the lawsuit?
- Since the advent of the problem-laden online system, what performance accountability has been – or should – assigned to MATCOM?
- If this situation occurred with a private-sector 401(k) plan, would the cost be written off to the fund participants?

CONCLUSION

The TSP was created in 1986 to allow Federal employees to participate in a retirement and savings program that they could feel confident in, one which their funds were invested safely, with a board to oversee those investments. Many of our members are still supportive of the TSP overall and plan to keep their investments in the TSP; however, they have become disenchanted due to recent developments – namely the disastrous launching of the new online record-keeping system and the lawsuit settlement that will cost them \$36 million in sum.





More and clearer information should have been disseminated to TSP participants. Perhaps the new online record-keeping system was not accurately publicized, and Plan participants had expectations that were too high; perhaps not. In either case, regularly informing the masses about the latest status of the system would have at least mitigated the anger and frustration our members and other participants are experiencing.

It is critical that Plan participants regain their trust in the TSP system and those who oversee it. The TSP is one of the few remaining models of excellence in the way of Federal benefits. It has long been a recruitment tool, and with the pending retirement of so many Federal workers in the next few years, it must be looked to once again as one of the advantages of Federal employment.

FMA has long served as a sounding board for the Legislative and Executive branches in an effort to ensure that policy decisions are made rationally and protect the interests of the Federal workforce. While we do not know where all the answers lie, we at FMA believe that there must be better communication between the Federal Thrift Retirement Investment Board and TSP participants. As a member of the Employee Thrift Advisory Council to the Board, we are committed to ensuring that this communication and transparency takes place from this day forward.

I would like to thank you again, Chairman Davis, for providing FMA an opportunity to present our views. We at FMA look forward to working with you and other Members of Congress to ensure that the problems with the TSP are resolved and Federal employees will very soon regain complete confidence in the Plan.

This concludes my prepared remarks. I would be glad to answer any questions you and members of the Committee might have.





ADDENDUM

Chairman Davis and Members of the Committee:

Below is a sampling of the comments that we have received from our members regarding this issue:

- “I have been trying to secure a TSP loan for about the last three weeks and the system is either down, slow or not taking requests. I have mailed the paper copy of the loan request three times and as of last evening when I checked, TSP is saying I have no loan application on file.”
- “The process is frustrating as I have several contractors waiting this funding before we can start on our remodel project.”
- “I have been trying since 3 June to take out a loan and pay off another which I overnighed to them, and now through normal payroll deductions the loan is almost paid off and they will owe me the entire amount of the overnighed check.”
- “Since the new TSP website was launched June 16, I have encountered several problems. On June 20, 2003, I sent a personal check via Express Mail to pay off my existing loan. The mail was received by the TSP office on June 23, 2003 IAW the U.S. Postal tracking service. My bank and bank statement showed that my check was returned for payment on June 30. The TSP Office was still deducting my payments as of July 3, 2003.”
- “I have made several attempts to use the system for both personal and self-directed training to be able to assist others with the system. Late at night at home it took 3 hours before I was able to get to the loan page and then once there I was unable to do anything. I never was able to get to the rearmortization page. The only thing I was ever able to do was view my balance. Since I have attempted to use the system at varied hours of the day I believe the problems are with the system inability to accommodate request to view pages.”
- “The new online record keeping system still has problems. On 1,2,3 July I tried to go on line and make a interfund transfer; I never could get to that point in the system. On 7 July after five/six attempts I finally was able to reach the interfund transfer section (this isn’t my first day using the TSP website, either). I inputted all my changes and pressed the submit button – and lost the website.”
- “I have used the new TSP system. It took me 3 days until I was able to access their website, and then was only able to obtain my account balance.”





- “I am not satisfied with the new system. I can only get account balances. There has been a message on the website since 6/25/03 about slow logon times but this is getting ridiculous.”
- “I just had a conversation with an employee who has nothing but bitter complaints about it. The employee recently received a new PIN in the mail, as she had requested. However, when she tried to access her account online, the website gave an edit saying the new PIN was invalid. I have not heard anything positive about the new system from anyone.”
- “Regarding the new TSP site/system, I really have very few positive comments to convey. This highly touted launch has been fraught with problems from day one. Initially, it provided absolutely no information at all, not even an account balance. After approximately one week, the user could get an account balance, but nothing more. And that’s essentially the current status of the system. In fact, only minutes ago I attempted to access my account, had the same experience. If one were to attempt ‘general access,’ error notices abound. General access is supposed to allow the participant to make changes in share balance among the different funds.”
- “According to what I pulled up on line I have had no payments credited since March. My principal balance on my loans is more than the April 30th Statement. The online statement was as of 07/10/03.”
- “Several members and myself have been unable to access our accounts via the TSP.gov website except to find the balance since the new system was implemented in June.”
- “I submitted a loan request on April 16th, 2003; only yesterday was I assured that the loan agreement could be processed for my signature. The first form was deemed incorrect after the replacement form was mandated. This didn’t jive with their directions on the web, however. So, on June 16 I submitted the most current form; at that time I was told to fax it since their web system was down and it would be processed faster.”
- “Slow processing manual transactions, i.e. someone sent in a money order to pay off a loan took several weeks (over 4) before the system showed the loan was paid off and that was after they contacted the Washington TSP office for assistance. Employees wanting to process an inter-fund transfer using the web and/or Thriftline have been unable to and feel they might have lost out on returns.”
- “I spoke with someone at the TSP Service Office on 24 June because I couldn’t get into the account portion of the menu. She said it would be corrected within a week. There is still a window that displays when you select Account Access that is dated 25 June 2003 stating there are problems with the site that should be resolved within a week. They are not yet resolved. I have been trying to call back and talk to a person ever since. That was thirteen working days ago. Both phone numbers for the TSP Office and the Thriftline





disconnect the caller once the option to speak to a person has been chosen. It is very difficult to even get through; the lines are busy all day.”

- “After all the hoopla about the new system and six or seven years of development, it appears that no troubleshooting of the system was conducted until the system went on-line.”
- “I waited for five months for my TSP password. After I made the first request no one notified me that my address was ‘too long’ and only found out after I phoned them. I had to change the address twice. The address wasn't ‘too long’ for any other agency. With that kind of mentality, I don't even want to think about what is happening with the funds.”
- “My loan was requested in May, third week of June was able to get through, was told the system was not up yet so they couldn't look at my account. The following week they told me the same thing, but if I would fax in another request it would be processed right away. That night they sent a letter stating that I needed to resubmit my loan request because my original request was on the wrong form number. The ‘correct form’ they sent me was the exact form I used in May, and had faxed to them. The second week in July they told me nothing was showing but it was taking some time to get the paperwork input into the system. When I can get on the website, which is almost impossible, I keep checking for progress. Saturday 7/12/03 the website showed my loan was being processed and to check back in 2 business days. The message has not changed yet.”
- “I want to let you know that I have a serious problem with TSP. This is my money in my account right? Then why can't I have my money? I called 1st to ask the right way to apply. I was told to get the application TSP-20 off the Internet; I did. I faxed it to the number given to me. I received a letter on 6-23-03 dated 6-20-03 telling me I had used the old form and they were not going to accept it. And they mailed me the correct TSP-20. Now, remember, I used the form I was told to use. Why did it take them 18 days to put a letter in the mail to me? I faxed the new form on 6-24-03. No response. On 7-3-03 I went online to www.tsp.usda.gov. I could not get in. I called and I talked to a lady named ----- . She told me to fax the info to her and she would see that it was taken care of. On 7-9-03 I checked again online, which I could not get in, and then by phone and I couldn't get past the recording. I could not reach a human. I emailed the HRM section asking for help. They called me and gave me additional phone and fax numbers. They told me that they tried to call but TSP would not give them information concerning anyone because of the privacy rules, even though I, amongst others, have emailed them asking for help. Also on 7-9-03 I faxed a letter to ----- asking her to call me and explain to me why my application was not even showing as being in the system. I also asked if additional information was needed. As of this date I have not received a note nor a call from this lady. On 7-14-03 I sent another fax (4th one) to the TSP dep't. I explained my situation and asked for a response, none was received. 7-15-03 I got online and found the TSP phone numbers in conjunction with NFC website. I called the TSP director and ended up with the Associate Director. She was polite and took my name, Soc. Sec. #, phone





number and said she would have one of her technicians call. As of this date, no call. I tried to call her back the next day, I got the TSP recording, no human. On 7-16-03 I contacted Congressman John Boozman, 3rd Congressional District and asked for their assistance.”

- “One thing I hear over and over from everyone (NRL HRO, HRSC Philadelphia, EBIS, OPM, FRTIB), ‘You should be able to get into the system now, just keep trying.’ No one understands the multi-step loan process that is in place. There are so many steps and anyone of them could fail, which they have. I have wasted so much time and now lost out on low interest rates.”
- “Due to the recent changes in the stock market, this has cost me a lot of money. They said the new site would make our changes easier, but it has made it a nightmare. I can not access anything except my balance.”
- “The phone number is always busy; maybe they should have some prompts directing you to different components. Faxed information is taking over three weeks to be keyed into the system.”
- “I have called the phone number three times, gone through the electronic menu, and been told to hold for the next available operator. Then the phone switches to a busy signal and you have to start the calling process all over.”
- “Not knowing if the system excepted my changes, I decided to call the phone number listed on the web site (504-255-8777). You have a better chance of calling the President of the United States. After numerous times, I was finally able to speak to a real person. The person at the other end was very professional. She informed me the changes I tried to do on-line didn’t take. I then gave her all the changes over the phone and was told it was completed, that I would receive a copy confirming these changes in the mail in a few days. After waiting seven days (remember, during this period the stock market is UP) I decided to call the president (TSP 504-255-8777) again, and yes it took for ever to talk to a real person. I finally spoke to another person (very professional); she informed me there STILL weren’t any changes to my TSP account. However, there was information sharing from the previous person that the account should have been changed back on the 7th of July. I just lost seven days. Now I have to write a letter to the Director of the Federal Retirement Thrift Investment Board and plead my case. The employees who are taking these phone calls are handicapped by a system that is malfunctioning; their hands are tied – just ask them. I’m just trying to invest my retirement money differently. Think of the people who lost their spouse(s) and are trying to talk to a real person for help.”
- A member relayed this story: “She called the phone system and the automated system also told her the PIN was invalid. She has been trying to get to a live agent and is unsuccessful so far, despite inordinate amounts of time spent on hold. She has even had her call dropped after being on hold for 20 minutes.”





- “I was told to call and confirm receipt. Well, that’s real nice, but 3 weeks later I still could not get any connection on the phone. It was always busy or connection would be cut off. The 504 255 6000/8777 numbers were simply overloaded. Essentially I was locked out, the web didn’t work and the phone system didn’t work. Today is the 16th of July (exactly 90 days after my initial request) and I have yet to receive my loan. I faxed the agreement back signed yesterday so am expecting a deposit to be made anytime now.”
- “I have made at least 5 attempts by phone. I have attempted to contact TSP between 7:00 am - 8:00 am EST when I thought they should be less busy. I was still unable to get through.”
- “I have been a member of TSP since its inception and have always appreciated the communication received, newsletters, and the improvement to access accounts online. However, it appears this new system was instituted without assuring it was actually accessible to all members. I was insulted to go online to discover there were individuals whose ‘loans were being approved on a daily basis’ & the TSP is not acknowledging they have my loan or paperwork for the loan. (Bottom line – I will NOT get out of the system – but improve it, please!)”
- “My greatest concern, however, is the outrageous action to transfer part of the cost of a suit settlement to the TSP participants. We had no part in the lawsuit, we were never notified of the proposed settlement terms and never had the opportunity to comment upon the proposal, and we still have not been notified by the TSP that funds were deducted from our accounts. It is ironic that the suit involved the very system that still does not properly function!”
- “TSP has been working for the past 6 years to try and bring the TSP in line with the way private industry such as AG Edwards provides information to the mutual fund, IRA, etc. Holders, for example, share price, market fluctuation, and more up-to-date information to help investors in the plan make more informed investment decisions. A contractor AMS was hired in 1997 to make these changes and they were supposed to be completed by May 2000 at a set contract price of \$30 million. The contractor failed to get the new system up and running, there were 4 delays, and the cost was way beyond 30 million. So TSP board fires the contractor in July 2001 and hires a new one to attempt to do what the other contractor could not. So TSP Board sues the 1st contractor for failure to complete the contract and the 1st contractor countersues. When I was looking at GovExec.com the other day I read an article where TSP had settled in court with the 1st contractor. To my disbelief TSP participants such as myself are going to have to pay the contractor who failed to perform \$36 million dollars. What is up with this? TSP did not fail in the contract, I did not fail in the contract, nor did other TSP participants, the contractor failed. Yet myself and the other 3 million fed. Employees and military personnel have to pay the contractor \$36 million dollars. If this is the way TSP is going to conduct business, then it will be to my advantage as well as other employees to stop contributions and





invest their monies in an IRA or mutual fund administered by a private firm such as T.Rowe Price. They would not roll over like TSP did in this type of situation.”

- “Clearly TSP participants were disadvantaged by the selection of AMS as the contractor for the TSP conversion. We were denied the flexibilities common to this type of plan for an extended period of time. We were unable to adjust our plan allocations to meet the changes in the market which may have seriously economically disadvantaged many Federal employees. This was a failure of the TSP Board and AMS not the plan participants. To now have those harmed pay for the failure of others is clearly a case of penalizing the victims.”
- “I enrolled in TSP in June (better late than never) until I was informed my contributions had to go to the G fund for three (3) open seasons. I immediately had myself dis-enrolled. The government is not matching any funds and should have no right to dictate into which fund MY contribution is deposited. This is especially relevant as I had planned to make significant contributions utilizing the TSP catch up provision.”
- “I have not attempted to access the new on-line record keeping system. Daily access isn’t that important to me. However, an issue that is very important to me is the assessment of the \$36 million bill from the settlement with AMS to TSP participants. It seems to me that the TSP officials did not do their homework when they awarded the contract to AMS. Surely, thorough investigation would have revealed that AMS was not capable of performing. Also the contract was allowed to continue even when it should have been obvious that AMS was not performing which increased the potential liability to the TSP. I agree with the GAO report which said that TSP officials should be held more accountable to Congress. Participates in TSP are dependent upon TSP officials looking out for their interests. Payment of \$36 million for a failed contract isn’t looking out for participants’ interest.”
- “What does concern me is the monetary loss as a result of the lawsuit with AMS. This should NOT come out of the contributors’ pockets! In today’s day and age, it is difficult to conceive how an organization can get led on by a contractor who fails to deliver a promised product for an extended period of time. Where is the accountability?”
- “Back in Nov. I requested a TSP loan. A check not cut until Jan. 03. Then it was lost in the mail. I did not ever receive the first check. Then it took until the end of Feb. 03 to receive the second check. It seems like an awfully long time to await a check. The reason is that I was using it for a down payment on a house. Because of the delay, I actually had to look at a second housing track as I did not get my money in time to get in to the first track I was interested in.”
- “The TSP board should be fired, or made to pay that remaining \$36 million bill. Why should the TSP members then be held liable and assessed for the board members’ failure to execute their fiduciary duties properly? The board concocted that grand scheme without inputs from the TSP members. The board and their hired contractor wasted





hundreds of millions on this scheme, without supervision by any TSP members. The board allowed that TSP online record-keeping system lawsuit and countersuit fiasco to occur, again without any TSP members participation. The board or their liability insurance companies should pay that bill -- NOT the TSP members. We had no input or ability to influence that process in any way. Why should we pay?"

- "The one positive comment I can make is that they have finally issued shares, and the administrators are providing daily valuations."
- "Only positive comments – I enjoy being able to go in and move my monies as needed on a daily basis which I have done."
- "System worked like clockwork last time I went to it for a loan. I mailed the application, they turned around their paperwork quickly and I had the check within about three weeks."
- "This is a 'vote' in favor of the new system. The only thing I've used it for so far is to check the balance, but so far I have been pleased. I like being able to check the balance daily if I want to and I want to be able to see the number of shares - which we are now able to do."
- "I used the new system to restart my TSP contribution and had no problems at all. It was easy to do, saved fine, and started when the system said it would."
- "The Washington Office on H Street has assisted a couple of our employees and that was great!"

